Economic Research Service (ERS) Strategic Plan

Table of Contents

Introduction 7-59
Key External Factors 7-60
Mission 7-61
Goals 7-61
Management Initiatives 7-66
Linkage of Goals to Annual Performance Plan 7-67
Resources Needed 7-67
Program Evaluation 7-68
Role of External Entities 7-69

Introduction

The Economic Research Service's (ERS) niche and challenge is to provide high-quality, comprehensive, objective, relevant, timely, and accessible economic data and analysis at the national level on the broad range of agriculture, food, natural resource, and rural issues.

Legislative Mandate

In 1961, ERS was established from components of the former Bureau of Agricultural Economics (BAE) principally under the authority of the Agricultural Marketing Act of 1946 (7 U.S.C. 1621-1627). ERS's portfolio was expanded to include international work with the addition of country specialists from the Office of Foreign Agricultural Relations. ERS performs work under one appropriation item—economic analysis and research. ERS's FY 1997 budget was authorized at $53.1 million by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1996 (Public Law 104-37).

ERS's program, in meeting its legislative mandate, has reflected the changing scope of the Department's concerns for producers, consumers, rural America, and the environment and anticipates and responds to changing public policy issues. In the 1960's, the agency provided research and analysis to support programs improving agricultural and rural conditions. In the 1970's, with Soviet Union's entry into world grain markets and concern about world food shortages and high food and energy prices, the Department's policy officials and World Board leaned heavily on ERS's analysis and forecasting of commodity and food prices. In the 1980's, U.S. and foreign policies created incentives for surplus production and low commodity prices that—combined with high domestic interest rates—led to farm financial pressures. ERS responded by examining the implications for rural places and people. ERS with its BAE roots in natural resource issues was well poised to provide analysis for the growing national interest in environmental issues. In response to national concern about nutrition and food safety, the late 1980's saw ERS initiate research on the supply and delivery of food and the social and individual consequences of inadequate or unsafe food. In the early 1990's, low inflation and improved financial conditions for farm households sustained ERS's expanded research on environmental, food safety, and nutrition issues. Increasing importance of off-farm incomes affect on rural financial conditions reinforced the agency's commitment to understand how public policy affects rural economic activity and employment.

Customers, Partners, and Statkeholders

ERS stakeholders are its customers and partners, its staff, cooperators, and contractors, and most importantly American citizens and taxpayers. The ultimate beneficiaries of ERS's program are the American people, whose well-being is improved by informed public and private decision making.

ERS has identified policy makers and key institutions who routinely make or influence public policy and program decisions. ERS shapes its program and products principally to serve these key decision makers: White House and USDA policy officials and program administrators/managers; the U.S. Congress; other Federal agencies and State and local government officials; and domestic and international commodity, environmental, agribusiness, consumer, and other groups interested in public policy issues.

ERS depends heavily on working relationships with other organizations and individuals to accomplish its mission. Key partners include: the National Agricultural Statistics Service for some kinds of primary data collection; universities for research collaboration; and the media as disseminators of ERS analyses. The following section highlights a few of the many areas of policy and program development and manage-

ment on which ERS cooperates with (and supports the missions of) USDA agencies and other agencies and departments government wide.

Crosscuts with Concerns of Other Agencies

Because ERS provides economic analysis on agriculture, food, environmental, and rural issues, its goals and objectives crosscut extensively with concerns of other USDA agencies and many other government units. The following examples illustrate just a few of the crosscutting issues on which ERS cooperates with other agencies. ERS's unique contribution in each case is the provision of external economic analysis. ERS works closely with the Foreign Agricultural Service, World Agricultural Outlook Board, and the U.S. Office of the Special Trade Representative to analyze the international agriculture and trade effects of Uruguay Round and other existing and proposed agreements. The Foreign Agricultural Service and the U.S. Agency for International Development regularly use ERS economic expertise in international technical assistance programs. ERS cooperates with the Agricultural Research Service, Food Safety and Inspection Service, Agricultural Marketing Service, and Grain Inspection, Packers, and Stockyards Administration on the pathogen reduction initiative, which includes HACCP. ERS provides economic analyses to national nutrition education, minority, and research activities which also involve the Food and Consumer Service and Food Safety and Inspection Service. ERS data and analysis on the farm sector's economic performance and agricultural commodity and food prices are essential to the U.S. Department of Commerce Bureau of Economic Analysis' production of national economic accounts. ERS works with program managers in the Natural Resources Conservation Service and Farm Service Agency to support effective, efficient implementation of the Conservation Reserve, Wetlands Reserve, and the Environmental Quality Incentives Programs and the Water Quality Initiative. Such activities bring ERS staff in close cooperation with those of the Department of the Interior and the Environmental Protection Agency, as do ERS efforts to improve understanding the economics of integrated pest management and resource conserving production practices. ERS is closely involved with the Cooperative State Research, Education, and Extension Service, the Rural Business-Cooperative Service, and the Rural Utilities Service on the Fund for Rural America and the Rural Community Enhancement Program. ERS rural-urban categorizations are essential to the Department of Health and Human Services' administration of programs in rural areas.

Key External Factors

ERS's future depends on its ability to achieve national prominence as a center of excellence for economic analysis on agriculture, food, environmental, and rural issues. Policy makers and program managers increasingly will be called to defend the efficiency and equity consequences of public policies, regulations, and programs. Recent legislation establishing the Office of Risk Assessment and Cost-Benefit Analysis within USDA is evidence of this trend that will likely place greater demands on ERS. Tighter budgets in other USDA mission areas will decrease their already limited internal ability to anticipate the economic effects of policies and programs. ERS must clearly identify its role as the intramural social science research agency at USDA, with a focus on maintaining its core analytical activities while remaining responsive to short-term information demands.

ERS will continue to be asked to do more with declining real resources as demand for information grows in a knowledge-based and increasingly complex society. However, telecommunication and computer technology developments can enhance analytical tools and improve communication with customers and partners. The agency

must continue to invest in identifying useful new information technologies and integrating them into agency operations. Innovation here is key to supporting continued productivity gains, the ability to do more with fewer staff resources. Increasing flexibility in procurement and personnel regulations offers new opportunities for a more responsive, adaptive, and efficient ERS.

Changes in the larger policy context in which ERS operates will influence the content and orientation of ERS research and analysis. Changing perceptions about the role of government regulation are likely to accelerate the search for more voluntary or market-oriented measures to promote public good. The agricultural policies and programs in the 1996 Farm Bill raise new issues regarding the structure and geographic location of agricultural production, as well as the volatility of prices in response to international shocks and weather. Increasing scale and concentration of agricultural activities raise both environmental and economic issues pertaining to waste management, particularly animal product waste. Rapidly changing economic, social, and medical environments raise challenging questions about the nutritional quality and costs of good diets and their implications for individuals, society, and the food industry. International trade agreements are already shifting the focus of trade barriers away from tariffs toward issues relating to food safety and environmental quality. Continued evolution of the social, economic, and industrial structure of rural areas will change policy debates regarding the well-being of rural people and communities.

Mission

The Economic Research Service provides economic analysis on efficiency, efficacy, and equity issues related to agriculture, food, the environment, and rural development to improve public and private decision making.

Goals

ERS shares the five goals described below with the agencies in the Research, Education, and Economics mission area. ERS goals 1 and 5 advance USDA's first goal, ERS goals 2 and 3 promote USDA's second goal, and ERS goal 4 furthers USDA's third goal. ERS's objectives, tasks, and outputs contribute to the ERS goals. The continuing agency imperative is to deliver high-quality, comprehensive, objective, relevant, and accessible socio-economic analyses on the broad range of topics bounded by ERS goals and objectives. Many analyses have relevance to more than one goal and objective and include, but are not limited to, global marketing conditions, trade restrictions, agribusiness concentration, farm and retail food prices, foodborne illnesses, food labeling, nutrition, worker safety, agrichemical usage, livestock waste management, conservation, sustainability, genetic diversity, technology transfer, biofuels, rural infrastructure, and agricultural labor. The goals and objectives in this strategic plan are comprehensive and consistent with the level of appropriations expected by the agency.

Goal 1

The agricultural production system is highly competitive in the global economy.

Objective 1.1

Provide economic analyses to policy makers, regulators, program managers, and those shaping public debate that help ensure that the U.S. food and agriculture sector effectively adapts to changing market structure, domestic policy reforms, and post-GATT and post-NAFTA trade conditions.

Time Frame for Completion
Ongoing

Strategies for Achieving the Objective
- Identify key economic issues relating to the competitiveness of U.S. agriculture, use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs and changing macroeconomic and market conditions on U.S. competitiveness, and effectively communicate research results to policy makers, program managers, and those shaping the public debate regarding U.S. agricultural competitiveness.

Performance Measures
Reports, briefings, staff papers, articles, and responses to requests that provide:
- Economic analyses on the linkage between domestic and global food and commodity markets and the implications of alternative domestic policies and programs for competitiveness.
- Economic analyses on the factors changing the structure and performance of domestic and global food and agriculture markets, including the growing use of foreign direct investment by U.S. agribusiness firms, and the implications for competitive conditions.
- Economic indicators of the food marketing system useful in understanding factors affecting competitiveness and efficiency in the food industry.
- Economic analyses on how global environmental change, international environmental issues and policies, and agriculture-related trade restrictions affect U.S. agriculture and trade.
- Economic analyses of the impacts of new crops and new uses on the rural economy, farm diversification, and risk management in highly competitive markets.
- Comprehensive economic assessment of the sources and magnitudes of price and income risks facing U.S. agricultural producers in the post 1996 Farm Bill policy environment, including analysis of the impacts on farm income and risk resulting from producers' use of different risk management programs.
- Analyses on the economic impacts of key World Trade Organization (WTO) issues for agriculture, such as continued export subsidies, the implementation of tariff-rate quotas, the role of state trading enterprises, and technical barriers to trade to benefit the participants in the WTO mini-Round on agriculture anticipated in 1999.

Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues affecting U.S. food and agriculture sector's competitiveness including factors related to performance, structure, risk and uncertainty, marketing, and market and nonmarket trade barriers. Such understanding underpins effective competitive adaptation to changing market structure, domestic policy reforms, and post-GATT and post-NAFTA trade conditions.

Goal 2

The food production system is safe and secure.

Objective 2.1

Provide economic analyses to policy makers, regulators, program managers, and those shaping public debate that help improve the efficiency, efficacy, and equity of public policies and programs designed to protect consumers from unsafe food.

Time Frame for Completion

Ongoing

Strategies for Achieving the Objective

- Identify key economic issues relating to protecting consumers from unsafe food, use sound analytical techniques to understand the immediate and long term efficiency, efficacy, and equity consequences of alternative policies and programs aimed at providing a safe food supply, and effectively communicate research results to policy makers, program managers, and those shaping efforts to protect consumers from unsafe food.

Performance Measures

Reports, briefings, staff papers, articles, and responses to requests that provide:

- Analyses of the scale and distribution benefits of safer food and the costs of food safety policies to understand possible tradeoffs in reducing the incidence of foodborne illness and changes in retail food prices.
- Comprehensive economic analysis of the effects on agribusiness, food retailers, and consumers from implementation of the Hazard Analysis and Critical Control Points (HACCP) system.

Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues affecting the safety of the U.S. food supply including factors related to the efficacy, efficiency, and equity of policy and programs designed to protect consumers from unsafe food.

Goal 3

The Nation's population is healthy and well-nourished.

Objective 3.1

Provide economic analyses of the factors affecting food prices and evaluate the efficiency and effectiveness of alternative public policies and programs aimed at ensuring consumers equitable access to wider varieties of high-quality foods at affordable prices.

Time Frame for Completion

Ongoing

Strategies for Achieving the Objective

- Identify key economic issues affecting food prices and food consumption patterns, use sound analytical techniques to understand the immediate and broader economic and social consequences of the changing structure of the food industry and of policies and programs aimed at ensuring consumers equitable access to affordable food, and effectively communicate research results to policy makers, program managers, and those shaping the public debate regarding healthy, nutritious diets.

Performance Measures

Reports, briefings, staff papers, articles, and responses to requests that provide:

- Forecasts of the consumer price index for food and analysis of its determinants, including the impact of the increase in the minimum wage on food prices.
- Economic analyses of changes in the industrial organization of the food sector, such as vertical coordination, and their effect on consumers.
- Evaluation of the accuracy of the ERS forecasts of the consumer price index for food and study methods to improve forecast accuracy.
- Enhanced ERS annual estimates of the quantity of food available for human consumption, the disappearance data, and reconciliation of this series with the Department's estimate of quantity of food actually eaten by the public, the intake data.
- Economic analysis of how people make food choices, including demands for safer food and improvement in diet and health.
- Analysis of the benefits and costs of policies to change behavior to improve diet and health, including nutrition education, labeling, advertising, and regulation.
- Economic analyses of decisions to eat away from home and the implications of this trend on health and patterns of retail demand.
- Economic analysis of the impacts of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 on the Food Stamp Program, including analysis of the effects of the Act on the food and agricultural sector, the food security of low-income households, the relationship of food stamps and other welfare programs, and the impacts of macroeconomic conditions on food stamps.

Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues affecting the nutrition and health of the U.S. population, including factors related to food choices, consumption patterns at and away from home, food prices, food assistance programs, nutrition education, and food industry structure. Such understanding underpins the ability to ensure equitable access to a wide variety of high-quality, affordable food.

Goal 4

Agriculture and the environment are in harmony.

Objective 4.1

Provide economic analyses to policy makers, regulators, program managers, and those shaping the public debate to ensure that Federal farm, natural resource, and rural policies and programs balance long-term sustainability goals with improved agricultural competitiveness and economic growth.

Time Frame for Completion
Ongoing

Strategies for Achieving the Objective
- Identify key economic issues relating to interactions among natural resources, environmental quality, and agriculture, use sound analytical techniques to understand the immediate and broader economic and social consequences of alternative policies and programs to enhance environmental quality, especially on agriculture, and effectively communicate research results to policy makers, program managers, and those shaping the public debate regarding resource use and environmental quality.

Performance Measures
Reports, briefings, staff papers, articles, and responses to requests that provide:
- Analyses on the profitability and environmental effects of alternative production management systems and on the cost effectiveness, equitableness, and effectiveness of conservation policies and programs.
- Analyses of the benefits and costs of agricultural and environmental policies and programs to understand possible tradeoffs in improving environmental quality and increasing agricultural competitiveness.
- Economic analyses on the linkages between biodiversity and sustainability issues and agricultural performance, competitiveness, and structure.
- Analyses regarding expenditures and returns on public and private agricultural research and the comparative advantages of public, private, and mixed funding.
- Productivity estimates and farm income accounts that better reflect agriculture's net environmental impacts.
- Comprehensive analysis of the costs and benefits of resource-conserving technologies and production practices and how resource factors and constraints affect the adoption of resource saving technologies.

Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues affecting agriculture's interface with the environment including those related to integrated pest management, sustainability, biodiversity, global change, and environmental accounting. Such understanding underpins development of farm, resource, and rural policies and programs that balance long-term sustainability goals with competitiveness and economic growth.

ERS

Goal 5

Enhanced economic opportunity and quality of life for rural Americans.

Objective 5.1

Provide economic analyses to policy makers, regulators, program managers, and those shaping the public debate that identify (1) how investments in rural people, businesses, and communities affect rural economies' capacity to survive and prosper in the global marketplace and (2) what policies and programs keep American farms viable.

Time Frame for Completion
Ongoing

Strategies for Achieving the Objective
- Identify key economic issues relating to rural economic development and farm viability, use sound analytical techniques to understand the immediate and broader economic and social consequences of how alternative policies and programs and changing market conditions affect rural and farm economies, and effectively communicate research results to policy makers, program managers, and those shaping the public debate on rural economic conditions.

Performance Measures
Reports, briefings, staff papers, articles, and responses to requests that provide:
- Improved understanding of the structure and financial performance of U.S. farms and the farm sector and the linkages between farming and other sectors of the U.S. and local economies.
- Assessment of the adequacy and performance of the recently adopted Agriculture and Resource Management Survey (ARMS) in supporting agency economic analysis.
- Analyses on rural financial markets and how the availability of credit, particularly Federal credit, spending, taxes, and regulations influences rural economic development.
- Economic analyses on the changing size and characteristics of the rural population and the implications of these changes on rural economies, including skill development in the resident labor force.
- Analysis on economic structure and performance of non-farm economic activities in rural areas.
- Analysis on the impacts of the changes in State and Federal welfare and entitlement programs on rural economies and people, including the impacts on housing markets, labor force participation, and migration.

Enhanced understanding by policy makers, regulators, program managers, and organizations shaping public debate of economic issues affecting rural development including factors related to farm finances and investments in rural people, businesses, and communities. Such understanding underpins rural economies' capacity to prosper in the U.S. and global marketplace.

Management Initiatives

ERS administrative support is performed with ERS resources by the REE mission area's Administrative and Financial Management (AFM) staff in the Agricultural Research Service. The REE strategic plan sets the general management initiative for the mission area: Marshall the diverse capabilities and resources of the REE agencies. ERS will be fully involved in activities supporting attainment of the initiative's four objectives: listening carefully to all customers; promoting collaboration across disciplines, functions, and agencies; allocating resources to maximize program effectiveness; and enhancing the REE information system to promote more effective program management, communication, and interagency coordination across the mission area and with partners. ERS individually and in cooperation with the mission area is committed to assuring equitable and fair treatment to its customers and partners, its staff, cooperators, and contractors, and American citizens and taxpayers whose lives are affected by its research.

Linkage of Goals to Annual Performance Plan

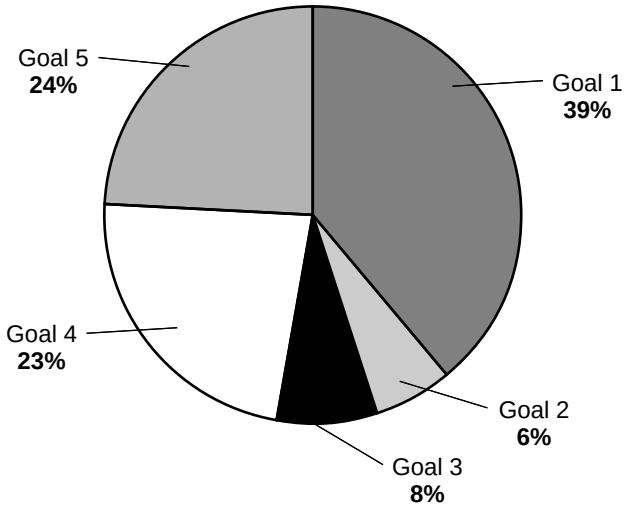
ERS's annual performance plan goals will relate directly to the goals and objectives in the strategic plan. Performance measures will assess the extent to which policy makers, regulators, program managers, and organizations (including major media) affecting the public policy debate have high-quality, comprehensive, objective, relevant, and accessible economic analyses on agriculture, food, environmental, and rural issues. The analyses will reach primary customers through the following outputs: briefings and staff analyses for senior policy officials, Department-level reports, articles in publications informing public policy debates, socio-economic data bases, and individual responses for analytical inputs to many specific projects of program and regulatory agencies. As resources permit and activities involve low-cost complements to strategic activities and outputs, ERS staff will respond to information requests from other than primary customers.

In the annual performance report which must be submitted beginning March 2000 according to GPRA, ERS will use metrics to partially describe its volume of output. Simplistic reliance on quantitative output measurements, however, can inhibit rather than contribute to successful outcomes. Care must be taken in setting and measuring against quantity output goals to ensure that quality is not sacrificed for quantity. The annual performance reports also will include narratives covering characteristics of ERS output that demonstrate that ERS analyses were high quality, objective, relevant, timely, and accessible. The narratives will cover ERS anticipation of issues and the timeliness of output, review prior to release, customer views on relevance and accessibility of ERS analyses, and how ERS analyses contributed to informed decision making. ERS will use a variety of qualitative indicators to help measure the relevancy and accessibility of outputs for customers. Indicators will include: (1) call backs for followup information/analysis from policy makers; (2) requests for ERS staff as primary speakers at important meetings/conferences; (3) articles in major public media that correctly and effectively use ERS analysis and data; and (4) changes in legislation, regulation, and designs of programs related to agriculture, food, natural resources, and rural areas.

Resources Needed

Success in achieving its program goals will depend on the agency's success in managing its resources. ERS will continue to seek and retain a diverse, well-trained, knowledgeable, and productive staff that effectively works together to deliver the agency's comprehensive research and analysis program. Flexibility in defining the knowledge, skills, education, and experience needed to contribute effectively to the work of the agency will help ERS reach beyond its traditional disciplines and institutions to recruit the best people possible. Staff development and training will be essential to enhance staff's abilities and understanding of ERS's mission, the needs of its customers, and the staff's roles in meeting those needs. ERS will continue to use the expertise of its partners and stakeholders to supplement and complement its own resources. The agency also will continue to provide staff with first class information technologies and services to underpin its analyses and to effectively and efficiently communicate with customers and partners. A continuing challenge for ERS and its partners is to develop cost-effective survey and other methods to obtain data needed to support economic analysis of complex agricultural, food, environmental, and development issues. In FY 1997, economic research to support a competitive agricultural system accounted for somewhat less than 40 percent of ERS resources. Economic research to ensure the related goals of a safe food supply and healthy and nutrition diets together accounted for somewhat less than 15 percent of total ERS resources. Economic research to promote environmental goals and research to support rural development each approached about 25 percent of ERS resources.

FY 1997 Resource Allocations



Program Evaluation

In 1991, 30 years after ERS was established, the agency convened present and past policy makers (including several Secretaries of Agriculture, Deputy Secretaries, and former ERS Administrators), industry and non profit organization representatives, distinguished academicians, and ERS staff to consider its role and future. That dialogue and subsequent ones based on the conference proceedings led to a major 1993-94 program review. The resulting "building block reports" were the foundation for discussion at strategic planning sessions that resulted in the October 1994 reorganization of the agency. The general goals to which ERS seeks to contribute were provided by the May 1995 U.S. Department of Agriculture report 1995 Farm Bill: Guidance of the Administration (see specifically page 79). The building block reports, subsequent strategic planning activities by each of the new ERS divisions, and the Research, Education, and Economics (REE) mission area strategic plan combined to form the foundation for identifying the objectives. The plan has been reviewed with customers, partners, and stakeholders through a variety of venues including the REE sponsored listening sessions around the country, the REE Advisory Board, a nationwide teleconference, a special session at the American Agricultural Economics Association annual meeting, and the ERS home page as well as internal USDA review.

To ensure that the outputs present data and analyses that are high quality, comprehensive, objective, relevant and accessible, ERS will routinely provide customers many opportunities for feedback, conduct rigorous and appropriate peer reviews before analysis is released, and use a wide variety of proven and innovative dissemination systems. Successful contributions to professional conferences and journals will test the appropriateness and rigor of the research methods underpinning ERS analysis with respect to disciplinary standards.

Quantitatively and definitively establishing that decision makers make particular decisions because of the provision of analyses is widely acknowledged as extremely difficult. The Army Research Laboratory formulated a model to help explain how research performance can be evaluated. The model considers how assessment mea-

sures such as peer reviews, metrics, and customer evaluations can be used to evaluate relevance, productivity, and quality dimensions of research performance. ERS will draw on this model in evaluating its research.

Besides routine use in annual performance measurement of the indicators above, ERS will from time to time conduct broad reviews of critical aspects of the agency's programs. As a prime example, the National Academy of Sciences National Research Council (NRC) is overseeing a major 2-year review of the ERS program. In the second half of 1998, ERS expects to begin implementing NRC recommendations to ensure that ERS analysis meets disciplinary standards, is relevant for and highly accessible to public and private decision makers, and is conducted in a cost-effective manner. ERS is also conducting an extensive study of the public and private supply of and demand for economic information on domestic and foreign agricultural performance and commodity markets. The goal is to understand ERS's role and effectiveness in providing market information that will contribute to development of sound public policies, better managed public programs, and competitive market conditions.

Role of External Entities

The ERS strategic planning process sought input from non-Federal customers and partners. The plan, however, was prepared only by Federal employees, which is in accordance with the Government Performance and Results Act requirements. No consultants or contractors were used.